
INVESTMENT OPPORTUNITIES

Responsible Cabinet Member - Councillor Stephen Harker
Efficiency and Resources Portfolio

Responsible Director - Paul Wildsmith,
Director of Neighbourhood Services and Resources

SUMMARY REPORT

Purpose of the Report

1. To request approval for Council to engage in investments where such investment would deliver good rates of return and/or achieve Council priorities.

Summary

2. The Council faces a challenging financial position and must continue to seek to maximise income where appropriate.
3. Current investment returns via the traditional Treasury Management Strategy are very low.
4. Opportunities beyond traditional investment exist and from time to time the Council may wish to take up such opportunities where risk is appropriate and returns are good. There may also be times where investments can achieve Council policy objectives such as loans to attract business or develop sites, the most recent example being the relocation of the DfE to the rear of the Town Hall.
5. Cabinet have agreed such an investment opportunity recently in becoming a member of a Joint Venture Company to develop a housing site. This approval is subject to Council agreement which is set out in this report.
6. This report requests the establishment of a £10m investment fund to be operated by Cabinet. The £1.5m recently agreed by Cabinet to form the first call on the fund. Detailed reports on any proposal will be presented to Cabinet.

Recommendation

7. It is recommended that Council agree :-
 - (a) the establishment of a £10m capital investment fund.
 - (b) that the operation of the fund be delegated to Cabinet.
 - (c) to delegate to the Director of Neighbourhood Services & Resources the management of the financial implications of the Investment Fund within the parameters of the MTFP.

Reasons

8. The recommendations are supported by the following reasons :-
 - (a) To allow Council to take up opportunities to gain investment returns.
 - (b) To enable Cabinet to consider detailed proposals many of which will be commercially sensitive.
 - (c) To allow the investment fund to be established and financed.

Paul Wildsmith
Director of Neighbourhood Services and Resources

Background Papers

No background papers were used in the preparation of this report

Paul Wildsmith : Extension 5828
TAB

S17 Crime and Disorder	No impact as a result of this report
Health and Well Being	No impact as a result of this report
Carbon Impact	No impact as a result of this report
Diversity	No impact as a result of this report
Wards Affected	No impact as a result of this report
Groups Affected	No impact as a result of this report
Budget and Policy Framework	This is a Council decision and is a variation to the MTFP
Key Decision	No. This is a Council decision
Urgent Decision	No. This is a Council decision
One Darlington: Perfectly Placed	No impact as a result of this report
Efficiency	The establishment of an Investment Fund may increase Council income.

MAIN REPORT

Information and Analysis

9. Current returns on investments are at an all-time low and cash on deposit is earning 0.6% per annum. The Council's MTFP is under pressure due to falling returns on investment and therefore consideration has been given to alternative investment opportunities beyond the traditional Treasury Management Strategy.
10. To achieve greater returns, the Council will need to explore more innovative approaches whilst at the same time being willing to take on a greater level of risk. Such approaches may include loans to other organisations, property investment or developing sites for sale.
11. Cabinet recently agreed, subject to Council making funding available, to the Council becoming a member of a Joint Venture Company (JVC) for the purpose of developing a housing site. The scheme has the potential to return a rate of return on investment of 40% over two years. Should Council approve the establishment of an investment fund as set out below, the work on the JVC can be progressed.
12. This report seeks Councils' approval to investigate and where appropriate enter into investments that secure good rates of return and/or achieve Council objectives, in the main economic regeneration. To enable this to happen, Council are requested to establish an Investment Fund of an initial sum of £10m.
13. The application of the Investment Fund will be undertaken by Cabinet within the framework set out in this report and as is the case with all such capital expenditure and investment, will be subject to a detailed report and call-in procedures.
14. Many Councils across the Country are taking similar approaches to those proposed in this report therefore there is experience to draw on to assist the Council taking any proposals forward.

Financial Implications

15. The aim of the establishment of an investment fund is to increase Council income so the net impact on the MTFP is planned to be positive however Members will appreciate there will be financial risk although all efforts will be made to minimise them.
16. The actual funding of the investment fund will vary depending on the Council's Cash Flow position at the time and therefore flexibility is required to undertake Prudential Borrowing if required. Subsequently delegation is required to the Director of Neighbourhood Services & Resources to manage the financial implications of the Investment Fund within the parameters of the MTFP.